ADMIRALTY RESOURCES

Admiralty Resources NL
ABN: 74 010 195 972

FINANCIAL REPORT
FOR THE HALF -YEAR ENDED
31 DECEMBER 2016

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CORPORATE DIRECTORY

Admiralty Resources NL

ABN: 74 010 195 972

Directors:
Qing Zhong
Hanrui Zhong
Bin Li

Company Secretary:
Jarrod White

Principle place of business:
Suite 1602, 87-89 Liverpool Street
Sydney NSW
2000

Registered Office:
C/- Traverse Accountants
Suite 305, Level 3
35 Lime Street
Sydney NSW 2000

Securities Quoted:
Australian Securities Exchange Ltd (ASX)
Code: ADY (shares)

Auditors:
RSM Australia Partners
Level 13, 60 Castlereagh Street
Sydney NSW 2000

Share Registry:
Boardroom Limited
Level 12 225 George
Sydney NSW 2000 Australia

Website:
www.ady.com.au

Admiralty Resources Group Structure

Admiralty Resources NL (ACN 010 195 972) has the following subsidiaries:

- Admiralty Minerals Chile Pty Ltd
- Admiralty Minerals Chile Pty Ltd Agencia en Chile (Chilean branch of Admiralty Minerals Chile Pty Ltd, which owns mineral concessions in Chile)
- Bulman Resources Pty Ltd (100% ownership of the Bulman lead/zinc project in the Northern Territory, Australia)
- Pyke Hill Resources Pty Ltd (has a 50% ownership interest in the Pyke Hill Nickel/Cobalt resource in Western Australia subject to an exploitation agreement with Cougar Metals NL)
- Admiralty Resources (Hong Kong) Limited
- ADY Investments Pty Ltd (currently inactive)
- Fortune Global Holdings Corporation (currently inactive)
- Servicios Admiralty Resources Chile Limitada

Bankers:

Westpac Banking Corporation
447 Bourke Street
Melbourne VIC 3000
Australia

Citi Banco de Chile
Agustinas 1180

Santiago, Chile

National Australia Bank
Level 13, Tower B, 799
Pacific Highway
Chatswood NSW 2067

HSBC Hong Kong
BL1, HSBC Main
Building 1 Queen's
Road
Central, Hong Kong

Lawyers:

Hall & Wilcox
Level 11, Rialto Tower South
525 Collins Street
Melbourne VIC 3001 Australia

Noguera, Larraín &
Dulanto Abogados
El Golf 40, piso 11
Las Condes, Santiago,
Chile

Gillis Delaney
Level 40, 161 Castlereagh
Street
Sydney NSW 2000 Australia

Addisons Lawyers
Level 12, 60
Carrington Street
Sydney NSW 2000
Australia

DIRECTOR'S REPORT CONTINUED

The Directors of Admiralty Resources NL submit the half-year financial report of the Company for the half year ended 31 December 2016 which comprises the results of Admiralty Resources NL and the entities it controlled during the period.

Directors

The names of the Directors of the Company during or since the end of the previous financial period and up to the date of this report are:

- Qing Zhong (Managing Director)
- Hanrui Zhong (Non-Executive Director)
- Bin Li (Non-executive Director)

OPERATING AND FINANCIAL REVIEW

Principal Activities

The Consolidated Entity's principal activities during the course of the financial year were the exploration for and development of economic mineral deposits.

Operating Results

The results for the six month period reflect a profit of $279,484 (2015 loss: $897,908).

REVIEW OF OPERATIONS

HIGHLIGHTS:

Soberana Project

The Company had engaged Mr. Eduardo Guerra from Goldberg Partner Resources in Santiago in in order to complete the full analysis of Fe content.

The Board continues to discuss project investment potential based on the company's successful Declaration of Environmental Impacts ("DIA") approval in 2015.

It is hoped that further analysis of Soberana in conjunction with the change in commodity price climate since the original DIA approval will assist in promoting the projects potential.

Mariposa Project DIA Process Update

A formal submission to the Chilean authorities regarding the Declaration of Environmental Impacts ("DIA") has been lodged. At the time of this report, no decision has been made by the Chilean authorities, however the Company remains optimistic that the application will be approved. Under the outlined intentions of the agreement with China Nuclear Industry 22nd Construction Co Ltd ("CNI22"), CNI22 is to assist in the future progress of this project once DIA approval is obtained.

Convertible Note Revision

During September 2016 the Group signed a revised Convertible Loan Facility Agreement between Admiralty Resources (Hong Kong) Limited and Smart East Global Limited. The effect of this revision was to provide a further loan in the amount of US$1,500,000. Therefore the total amount available to be drawn down under the Third Facility Agreement will be US$3,600,000.

DIRECTOR'S REPORT CONTINUED

The term of the loan is for two years and interest is due and payable at a rate of 12% per annum on a quarterly basis. The agreement provided that the lender may convert the amount to ordinary shares at the amount equivalent to 80% of the Volume Weighted Average Price per share calculated 90 days immediately prior to the conversion date.

Events Subsequent to Balance Date

Subsequent to the reporting period, the Group drew down a further $150,756 on their convertible note facility which is held with Smart East Global (SEG). These funds will be used for operating costs used in the ordinary business operations.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included within these financial statements on page 6.

Signed in accordance with a resolution of directors.

On behalf of the Directors

Qing Zhong
Managing Director
10 March 2017

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Admiralty Resources NL for the half year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 10 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated Group 31 December 2016 $	Consolidated Group 31 December 2015 $
Revenue			
Interest	2	1,712	2,364
Other Income	2	605,225	113,266
Foreign exchange gain	2	336,477	14,810
		943,414	**130,440**
Expenses			
Administration expenses		(63,756)	(147,188)
Consultancy and professional expenses		(82,148)	(203,118)
Depreciation expense		(11,133)	(13,020)
Employee benefits expense		(97,880)	(308,781)
Exploration expenses		-	(28,548)
Finance costs		(369,381)	(31,764)
Foreign exchange differential		(10,934)	(109,365)
Legal costs		-	(62,853)
Occupancy expenses		(26,937)	(51,054)
Travel expenses		(1,761)	(72,657)
		(663,930)	**(1,028,348)**
Profit/(loss) before income tax		**279,484**	**(897,908)**
Tax expense		-	-
Profit/(loss) after income tax for the year		**279,484**	**(897,908)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from foreign operations		(1,189)	(14,224)
Total other comprehensive income for the year		**(1,189)**	**(14,224)**
Total comprehensive income for the year		**278,295**	**(912,132)**
Profit/(loss) after income tax attributable to:			
Members of the parent entity		**279,484**	**(897,908)**
Total comprehensive income attributable to:			
Members of the parent entity		**278,295**	**(912,132)**
Loss per share			
Basic and diluted profit/(loss) per share (cents)		0.0241	(0.090)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Consolidated Group 31 December 2016 $	 30 June 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents		170,365	244,419
Trade and other receivables		84,562	89,951
Total Current Assets		**254,927**	**334,370**
Non-Current Assets			
Property, plant and equipment		294,472	305,605
Mining interests	3	19,423,377	19,351,536
Total Non-Current Assets		**19,717,849**	**19,657,141**
Total Assets		**19,972,776**	**19,991,511**
LIABILITIES			
Current Liabilities			
Trade and other payables		570,149	763,503
Borrowings	4	-	3,493,692
Total Current Liabilities		**570,149**	**4,257,195**
Non-Current Liabilities			
Borrowings	4	3,390,016	-
Total Non-Current Liabilities		**3,390,016**	**-**
Total Liabilities		**3,960,165**	**4,257,195**
Net Assets		**16,012,611**	**15,734,316**
EQUITY			
Issued capital	6	145,649,257	145,649,257
Reserves	10	(771,331)	(770,142)
Accumulated losses		(128,865,315)	(129,144,799)
Total Equity		**16,012,611**	**15,734,316**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	Contributed Equity	Convertible Note Equity Reserve	Foreign Currency Reserve	Accumulated Losses	Total Equity
		$	$	$	$	$
Balance at 1 July 2015		143,277,430	212,980	(768,109)	(126,803,917)	15,918,384
Comprehensive income						
Loss after income tax		-	-	-	(897,908)	(897,908)
Other comprehensive income for the period		-	-	(14,224)	-	(14,224)
Total comprehensive income for the period		**-**	**-**	**(14,224)**	**(897,908)**	**(912,132)**
Issue of share capital net of transaction costs	6	1,036,232				1,036,232
Shares in lieu of consulting fees		30,000				30,000
Revaluation of equity reserve – convertible note		-	(212,980)	-	-	(212,980)
Balance at 31 December 2015		**144,343,662**	**-**	**(782,333)**	**(127,701,825)**	**15,859,504**
Balance at 1 July 2016		145,649,257	-	(770,142)	(129,144,799)	15,734,316
Comprehensive income						
Profit after income tax		-	-	-	279,484	279,484
Other comprehensive income for the period		-	-	(1,189)	-	(1,189)
Total comprehensive income for the period		**-**	**-**	**(1,189)**	**279,484**	**278,295**
Balance at 31 December 2016		**145,649,257**	**-**	**(771,331)**	**(128,865,315)**	**16,012,611**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Consolidated Group	
	31 December 2016 $	**31 December 2015 $**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	-
Payments to suppliers and employees	(490,791)	(946,805)
Interest received	1,712	2,364
Finance costs paid	(7)	(1,197)
Refund from suppliers	34,093	-
Net cash outflow from operating activities	**(454,993)**	**(945,638)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure on mining interests	(55,882)	(275,000)
Net cash inflow/(outflow) from investing activities	**(55,882)**	**(275,000)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of equity securities net of costs	10,388	1,036,232
Proceeds from issue of convertible notes	424,328	-
Repayment of borrowings	-	(215,991)
Net cash inflow from financing activities	**434,716**	**820,241**
Net decrease in cash and cash equivalents	**(76,159)**	**(400,397)**
Cash and cash equivalents at beginning of financial year	244,419	648,040
Effects of exchange rate changes on the translation of foreign controlled entities	2,105	(808)
Cash and cash equivalents at end of financial year	**170,365**	**246,835**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

(a) Statement of compliance

These general purpose financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The financial statements were authorised for issue by the Directors on 15 March 2017.

(b) Basis of Preparation

This interim financial report is intended to provide users with an update on the latest annual financial statements of Admiralty Resources NL and its controlled entities ("the Group"). As such, it does not contain all information that would normally be included in annual financial statements. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the following half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

(c) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

I. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by the Company at the end of the reporting period and the results for all subsidiaries for the half year ended 31 December 2016. The Company and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'. Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date of control ceases.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full, on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

ii. Convertible Notes

Convertible notes are separated into the host liability and embedded derivative components based on the terms of the agreement. On issuance of the convertible notes, the embedded option is recognised at fair value using the Black Scholes method of options valuation. The host debt component of the convertible note is initially measured as the residual amount after separating the embedded derivative. The host debt is carried at amortised cost using the effective interest method until it is extinguished on conversion or redemption.

Embedded Derivative
An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative.

The embedded derivative is separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. The embedded derivative is measured at fair value with changes in value being recorded in profit or loss.

iii. Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity had net cash outflows from operating activities of $454,993 for the year period ended 31 December 2016. As at that date the consolidated entity had net current liabilities of $315,222.

The ability of the consolidated entity to continue as a going concern and realise its' Mining Interests and other assets is dependent on a number of factors, the most significant of which is the continuation and availability of funding to continue operations and development of the Mining Interests. These conditions indicate material uncertainties that may cast significant doubt about the consolidated entity's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, which assumes the continuation of normal trading activities and realisation of assets and settlement of liabilities in the normal course of business.

The directors have reviewed the Company's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances for the following reasons:

- As at 31 December 2016, the Group has USD$1,273,860 capacity available to be drawn down under the USD3.5 million convertible note facility.
- The Company has the ability to issue additional shares if required pursuant to the Corporation Act 2001. This strategy has proven to be successful in the past;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

- The Company is regularly monitoring its cash outflows by implementing a leaner management structure, engaging with skilled consultants on a contractual basis and reducing its exploration and capital expenditure.

Due to the above listed factors, the directors believe that the consolidated entity will continue as a going concern. Should the consolidated entity be unable to continue as a going concern and capital raising initiatives were less than required, the consolidated entity may be required to realise its assets and extinguish its liabilities other than through the ordinary course of business and at amounts different to those stated in the financial report.

The report does not include any adjustment relating to the recoverability and classification of asset carrying amounts or the amounts of liabilities that might result should the entity be unable to continue as a going concern and meet its debts as and when they become payable.

(d) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events; management believes to be reasonable under the judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Key judgements

i. *Exploration and evaluation expenditure*
The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $19,423,377 (30 June 2016: $19,351,536). Mining interests are contained in Note 3 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Key estimates

i. Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions

ii. Convertible Note

At 31 December 2016, the Group had a debt of $3,390,016. The terms of the convertible note include:

a) Proceeds provided by the Lender are denominated in USD. The right to convert the debt into ADY NL ordinary shares, which are denominated in AUD;
b) Right to convert into ADY NL ordinary shares equivalent to 80% of the Volume Weighted Average Price per share.

As per AASB 139 paragraph 11

An embedded derivative shall be separated from the host contract and accounted for as a derivative under this Standard if, and only if:

a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability

The Group has determined the characteristics of the convertible note meet the criteria of an embedded derivative according the above accounting standards. Further the embedded derivative has been valued separately from the debt host liability and recorded at fair value at each reporting period, with changes in value being recorded in profit or loss.

The assessed fair values of the embedded derivative are determined using a Black-Scholes option pricing model.

(e) New and revised accounting requirements applicable to the current half- year reporting period.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are yet to be mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	31 December 2016	**31 December 2015**
	$	**$**
Revenue from continuing operations		
Interest Income	1,712	2,364
Other Income		
Gain on de-recognition of convertible note	-	113,266
Gain on revaluation of embedded derivative financial liability to fair value	571,124	-
Other income	34,101	-
Gain on foreign exchange	336,477	14,810
	943,414	**130,440**

Gain on de-recognition of convertible note

On 1 July 2015 the Group repaid its first Convertible loan facility, between Admiralty Resources NL and Smart East Global Limited. This was achieved by drawing down an additional US$1,500,000 under the second facility Agreement which was used to repay the loan. The second facility agreement is held between Admiralty Resources (Hong Kong) Limited and Smart East Global Limited. As a result of the full repayment of the second facility, a gain was recognised and accounted for in profit and loss.

NOTE 3: MINING INTERESTS

	31 December 2016	31 December 2015
Carrying amount	**19,423,377**	**19,351,536**
Movement in carrying amounts:		
Balance at the beginning of the period	19,351,536	18,664,270
Additions	71,841	687,266
Impairment	-	-
Balance at the end of the period	**19,423,377**	**19,351,536**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 4: BORROWINGS

	Consolidated Group	
	31 December 2016	**30 June 2016**
	$	**$**
Current		
Convertible Note – Debt Host Liability	-	2,222,372
Convertible Note – Derivative Liability	-	1,231,258
Loans from related parties	-	40,062
	-	**3,493,692**
Non-current		
Convertible Note – Debt Host Liability	978,635	-
Convertible Note – Derivative Liability	2,360,931	-
Loans from related parties	50,450	-
	3,390,016	**-**

During September 2016 the Group signed a revised Convertible Loan Facility Agreement between Admiralty Resources (Hong Kong) Limited and Smart East Global Limited. The effect of this revision was to provide a further loan in the amount of US$1,500,000. Therefore the total amount available to be drawn down under the Third Facility Agreement will be US$3,600,000.

The term of the loan has been extended to 31 August 2018 and interest is due and payable at a rate of 12% per annum on a quarterly basis. Unpaid interest amounts are accrued and applied on the face value of the accumulated balance of the loan. The agreement provides that the lender may convert the amount to ordinary shares at the amount equivalent to 80% of the Volume Weighted Average Price per share, calculated 90 days immediately prior to the conversion date.

Due to the extension of the maturity date, the convertible note liability has been reclassified from current to non-current liabilities.

The net proceeds received from the issue of the convertible notes are split between the derivative component (representing the residual attributable to the option to convert into ordinary shares at 31 December 2016 and the financial liability (debt host liability.)

NOTE 5: FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of its financial liabilities (convertible note.)

Financial Liabilities	**Fair Value as at**		**Fair Value Hierarchy**	**Valuation Technique(s) and key input(s) at 31 December 2016**	**Significant unobservable input(s)**
	31 Dec 2016	**30 Jun 2016**			
Smart East Global – Convertible Note – Derivative Component	$2,360,931	$1,231,257	Level 3	Black Scholes Option Pricing model at 31 December 2016: Underlying share price $0.009 Risk free rate: 1.86% Volatility: 121.73% Expected term: 24 months Vesting date: 31 August 2018	N/A

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 6: ISSUED CAPITAL

	Consolidated Group	
	31 December 2016	**30 June 2016**
	$	**$**
Ordinary Shares		
At the beginning of the financial period	145,649,257	143,237,430
Shares issued in lieu of directors fees	-	40,000
Shares issued in lieu of consulting fees	-	30,000
Shares issued via underwritten rights offer	-	1,093,288
Shares issued on conversion of convertible debt	-	1,205,595
Shares issued via private placement	-	100,000
Share issue transaction costs	-	(57,056)
	145,649,257	**145,649,257**

	31 December 2016	**30 June 2016**
	No of Shares	**No of Shares**
Ordinary Shares		
At the beginning of the financial period	1,153,249,877	959,576,495
Shares issued in lieu of consulting fees	-	1,000,000
Shares issued via underwritten rights offer	-	54,664,403
Shares issued on conversion of convertible debt	-	129,675,646
Shares issued via private placement	-	8,333,333
	1,153,249,877	**1,153,249,877**

NOTE 7: CAPITAL COMMITMENTS

	Consolidated Group	
	31 December 2016	**30 June 2016**
	$	**$**
Payable:		
no later than twelve months	171,277	389,000
between twelve months and five years	263,504	20,000
	434,781	**409,000**

NOTE 8: EVENTS AFTER REPORTING DATE

Subsequent to the reporting period, the Group drew down a further $150,756 on their convertible note facility which is held with Smart East Global (SEG). These funds will be used for maintenance costs associated with exploration activities in Chile and provide working capital.

NOTE 9: OPERATING SEGMENTS

The predominant activity of the group is the exploration for mineral resources. Geographically, the Group operates in three geographical locations – Australia, Hong Kong and Chile.

a. Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group. Segment revenue and expense are those directly attributable to the segments. Segment assets and liabilities include all those generated by the segments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 9: OPERATING SEGMENTS (CONTINUED)

b. Intersegment transactions

There are no inter-segment sales.

c. Business segments

The Group operates in one business segment, being mineral exploration.

	Australia 31-Dec 2016 $	HK 31-Dec 2016 $	Chile 31-Dec 2016 $	Intersegment Eliminations 2016 $	Consolidated Entity 31-Dec 2016 $
Revenue					
Revenue from continuing operations	35,812	907,602	-	-	943,414
Revenue from discontinuing operations	-	-	-	-	-
Total segment revenue	35,812	907,602	-	-	943,414
Entity revenue					**943,414**
Loss					
Total segment result	(158,638)	537,015	(98,893)	-	**279,484**
Unallocated					
Operating profit before income tax	(158,638)	537,015	(98,893)	-	**279,484**

	Australia 31-Dec 2016 $	HK 31-Dec 2016 $	Chile 31-Dec 2016 $	Intersegment Eliminations 2016 $	Consolidated Entity 31-Dec 2016 $
Assets					
Segment assets	17,084,555	2,591,523	18,307,020	(18,010,322)	**19,972,776**
Segment liabilities	(9,959,740)	(3,340,164)	(24,680,254)	34,019,993	**(3,960,165)**
Segment net assets	7,124,815	(748,641)	(6,373,234)	16,009,671	**16,012,611**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 9: OPERATING SEGMENTS (CONTINUED)

	Australia 31-Dec 2015 $	HK 31-Dec 2015 $	Chile 31-Dec 2015 $	Intersegment Eliminations 2015 $	Consolidated Entity 31-Dec 2015 $
Revenue					
Revenue from continuing operations	115,630	-	14,810	-	130,440
Revenue from discontinuing operations	-	-	-	-	-
Total segment revenue	115,630	-	14,810	-	130,440
Entity revenue					**130,440**
Loss					
Total segment result	(589,840)	(135,628)	(172,440)	-	**(897,908)**
Unallocated					
Operating profit before income tax	(589,840)	(135,628)	(172,440)	-	**(897,908)**

	Australia 30-Jun 2016 $	HK 30-Jun 2016 $	Chile 30-Jun 2016 $	Intersegment Eliminations 2016 $	Consolidated Entity 30-Jun 2016 $
Assets					
Segment assets	16,945,223	16,699	18,258,425	(15,228,836)	**19,991,511**
Segment liabilities	(9,661,772)	(1,302,354)	(24,530,710)	31,237,641	**(4,257,195)**
Segment net assets	7,283,451	(1,285,655)	(6,272,285)	16,008,805	**15,734,316**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 10: RESERVES

	Consolidated Group	
	31 December 2016	**30 June 2016**
	$	**$**
Foreign currency translation reserve		
Balance at the beginning of the financial period	(770,142)	(768,109)
Exchange differences on translation of foreign controlled entities	(1,189)	(2,033)
Balance at the end of the financial period	**(771,331)**	**(770,142)**
Equity portion of convertible note		
Balance at beginning of financial period	-	212,980
Revaluation of equity reserve – convertible note	-	(212,980)
Balance at the end of the financial period	**-**	**-**
Total Reserves	**(771,331)**	**(770,142)**

NOTE 11: CONTINGENCIES

There were no contingent assets or liabilities at 31 December 2016.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Admiralty Resources NL, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 20, are in accordance with the *Corporations Act 2001* including:

   a. complying with Accounting Standard 134: *Interim Financial Reporting;* and

   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of the performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

3. the directors have been given the declarations required by section 303(5)(a) of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001.*

On behalf of the directors,

....

Qing Zhong
Managing Director
10 March 2017

RSM

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

ADMIRALTY RESOURCES NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Admiralty Resources NL which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Admiralty Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations act 2001*, which has been given to the directors of Admiralty Resources NL, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Admiralty Resources NL is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1(c) in the financial report, which indicates that the consolidated entity had net cash outflows from operating activities of $454,993 for the half-year ended 31 December 2016. As at that date the consolidated entity had net current liabilities of $315,222. The ability of the consolidated entity to continue as a going concern and realise its' Mining Interests and other assets is dependent on a number of factors, the most significant of which is the continuation and availability of funding to continue operations and development of the Mining Interests. These conditions, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 10 March 2017